



**Statement of Peter J. Bunce
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**Before the Subcommittee on Aviation
House Transportation and Infrastructure Committee
U.S. House of Representatives**

**Keeping U.S. Aviation Manufacturing Competitive
March 22, 2006**

Mr. Chairman and members of the Subcommittee, my name is Peter J. Bunce and I am President and CEO of the General Aviation Manufacturers Association (GAMA). GAMA is an international trade association headquartered in Washington, DC representing over 55 of the world's leading manufacturers of general aviation aircraft, engines, avionics and related equipment. GAMA's members also operate fleets of aircraft, fixed based operations, and pilot training and maintenance training facilities.

I believe my colleagues here at the table will agree that you have picked the right place for an examination of the state of U.S. aviation manufacturing. Fifty-five percent of all general aviation airplanes made in the United States are produced here in Wichita. The economy of this city, its surrounding communities, and this state, is directly tied to the magnitude of aerospace manufacturing that takes place here.

The impact of what you are seeing here in Wichita has national and worldwide implications. Aviation manufacturers are producing safe and reliable transportation that companies employ worldwide as business tools. With 80 percent of the world's aircraft being made in the United States, this translates into a healthy and positive balance of trade for our Nation and its economy.

In concert with the other witnesses here today before the Subcommittee, I want to briefly discuss the current status of general aviation manufacturing in this country and touch on some issues of importance to our industry.

General Aviation Overview

In 2005, United States general aviation (GA) manufacturers shipped 2,857 new airplanes at \$8.67 billion in billings. When comparing 2005 numbers to 2004, total shipments of GA aircraft increased by 21 percent while billings increased by 27 percent. These outstanding figures demonstrate that GA is one of the brightest and most promising sectors of American manufacturing.

In this decade, we have seen the industry peak in 2000, followed by a post 9-11 decline in 2002-2003, while 2004 and 2005 were years of recovery. The industry is optimistic about 2006 and 2007 based on current orders for GA aircraft.

Although the shipment and billings numbers for 2005 are positive, the GA industry is still in a recovery. This is illustrated by the fact that GA flight activity actually decreased by two percent last year from 2004.

According to the Federal Aviation Administration (FAA), sixty-four percent of all GA flight hours are for business operations such as corporate flying, flight instruction, aerial observations, air-medical, and on-demand charter flights.

There are about 609,000 active pilots in the United States including Air Transport Pilots (commercial), private pilots, and students flying 218,000 GA aircraft. Currently there are over 18,000 landing facilities accessible to GA in the United States and its territories while only about 500 are accessible to commercial airlines.

No discussion about GA can be complete without recognizing our tremendous progress on safety. Over the past 25 years we have seen the number of accidents decline by 54 percent, while fatalities are down by half. However, any aviation fatality is one too many. Consequently, our industry continues to work closely with the FAA, the National Transportation Safety Board (NTSB), and other government agencies to ensure that this encouraging trend continues through improvements in pilot education and introduction of safety equipment into airplanes such as “all-glass” cockpits, synthetic vision, and situational awareness. This is why FAA certification services are so important to our industry. The faster we can get new technology into the cockpit the safer the aircraft become.

Despite the positive figures that I have just outlined, there are a number of issues before our industry that have a direct impact on the future growth and vitality of our industry. My colleagues have discussed some of them and I wish to address some additional concerns for your consideration. The Subcommittee’s assistance and leadership on these issues is greatly appreciated by our industry.

Modernization of Our Nation’s Air Traffic Control System

GA is an active partner with the FAA in development of the Next Generation Air Transportation System (NGATS), working to ensure modernization plans reflect the many advances in GA capabilities and technologies, including new aircraft, engine, and avionics designs. GA manufacturers are at the forefront of bringing new technology and designs to the aerospace industry.

The fundamental tenet of modernization is the use of new technologies for air navigation, communication and surveillance in order to enhance safety, capacity and efficiency of our air transportation system. Modernization that ensures access to airports and airspace will incorporate more use of digital communication and satellite based navigation, making the aircraft less reliant on ground-based systems.

We thank Congress for mandating that the executive branch agencies work with industry to facilitate the design of a modernized air transportation system. Your continued support for, and oversight of, the Joint Planning and Development Office (JPDO) will be the driving force that requires presentation to the Congress of a coherent time phased modernization roadmap that fully delineates costs and projected savings from this investment.

The Introduction of Very Light Jets (VLJs)

General aviation manufacturers are pioneering the development of a new class of very light jets. These airplanes are set to emerge into the market this year and we are excited about this innovation that will create new opportunities for people to incorporate general aviation into their business and personal lives.

This new class of aircraft will provide a new avenue for people to move about the country. They will circumvent the large hubs used by the airlines, while providing ways for people to travel from point-to-point, especially to and from smaller communities with limited or no commercial air service.

No organization is more committed to the safe and methodical introduction of this new class of airplanes than the manufacturers themselves and they are working closely with the FAA to develop approved training programs that capitalize on technology designed to minimize pilot workload.

In representing over 55 of the world's leading general aviation manufacturers, we get the most realistic and up to date portrait of how this exciting new sector of aviation is developing, so please let me inject a dose of reality into the recent outrageous projections made by some about VLJs.

These aircraft are not going to "darken the skies" as some have suggested. GA manufacturers have listened with amazement as some in the industry and the administration use the phrase "onslaught of microjets", citing wild claims about how these aircraft will clog up the airways, particularly in the "air taxi" business. These claims simply do not acknowledge the realities that if the air taxi concept proves successful, service will be diffused from the airline hubs and airports where congestion is the greatest and utilize the shorter runways that communities across this nation have invested their tax dollars to construct.

GAMA pledges to work with the Subcommittee to ensure that future discussions on the numbers, use, and potential of VLJ's are done based on facts and sound reasoning.

Federal Tax Policy Directly Impacts GA Activity and Aircraft Sales

As with any manufacturing industry, federal tax policy has a direct impact on sales and activity. There is no better example of this than bonus depreciation.

The American Jobs Creation Act of 2004 ("JOBS Act") provided bonus depreciation for taxpayers who purchased aircraft and had them placed in service by December 31, 2005. This short-term stimulus helped GA manufacturing recover following the dramatic downturn after 9-11. I want to thank this Subcommittee for its support of bonus depreciation and the direct impact it had on GA manufacturing jobs right here in Wichita and around our nation.

Bonus depreciation highlights the positive economic impacts that can occur from federal tax policy. However, federal tax policy can also have a significant unforeseen negative impact.

The same legislation that provided GA manufacturers with bonus depreciation also changed the business deductibility of entertainment-related flights.

At this point let me be absolutely clear. No one opposes taxation of fringe benefits and we are not seeking to repeal this provision. The problem lies not with Congress but with the IRS interpretation of the methodology and allocation of entertainment use flights.

We strongly believe that the current IRS guidance on how to comply with this law goes well beyond what Congress intended in the JOBS Act, is a bureaucratic nightmare to comply with, and will result in reduced flight hours and lost sales of new aircraft. At a time when this industry and its sales are nearly recovered to pre 9/11 levels, the industry is deeply concerned that this erroneous interpretation of the law could severely impact our industry.

The IRS interpreted guidance of a seat allocation method requires operators to maintain and file an onerous amount of paperwork. This methodology is so burdensome companies are reducing their flying and in turn, reducing the benefits derived by owning and operating a company airplane.

For example, there are over 165,000 piston aircraft in the U.S. today. Over 53 percent of the flight time these planes fly is for business purposes. Under the IRS interpretation, these owner-operators of aircraft can no longer have their spouse accompany them on business trips without incurring a significant tax penalty.

Even more alarming to manufacturers, the IRS guidance actually would make it more advantageous to own an aircraft that is fully depreciated and provide a disincentive to purchase a new aircraft. This clearly was not the intent of Congress in 2004 when it passed this legislation.

We in industry are working with Congress to clarify their intent to the IRS on this issue. It is unfair to single out general aviation and treat those who use aviation for business differently from those using other forms of transportation such as a company car. We are working to have this issue resolved as quickly as possible and appreciate any support the Subcommittee can provide on this important issue.

Export Control Issues

In addition to opening new markets for U.S. products, industry is working with the State Department to ensure that their products do not run afoul of the Arms Export Control Act (AECA) and the International Traffic in Arms Regulations (ITAR).

With military components increasingly being sourced from the civilian sector, the lack of clarity and transparency in the application of export control regulations threatens to harm U.S. manufacturers and potentially divert business to foreign suppliers who can offer "ITAR-free" components for export.

As this issue develops, we plan to continue to brief the Subcommittee on issues that arise regarding export controls. We will need your continued assistance to work with the Administration to balance the need to support continued growth of U.S. exports of aerospace products and services, while at the same time, prevent technology from falling into the wrong hands overseas.

Tort Reform

The current good health of the U.S. GA industry is a direct result of the General Aviation Revitalization Act (GARA) signed into law in 1994. GARA introduced a statute of repose of 18 years on general aviation airplanes.

Since GARA, U.S. GA piston engine manufacturing has increased production by 290 percent, producing over 2,465 airplanes in 2005. Several companies, including Cessna and Piper, returned to the industry. In the first five years following GARA, the industry added over 25,000 jobs in the United States.

In many ways, GARA saved the general aviation industry and our manufacturers. We ask Congress to protect GARA from any attempts to alter and erode its protections, as well as continue efforts to limit frivolous lawsuits filed against manufacturers and prevent misuse of our judicial system.

Conclusion

I would like to commend this Subcommittee once again for taking a personal interest in the health and vitality of aviation manufacturing, and for holding this hearing in the very heart of this industry. I appreciate the opportunity to testify today and would be happy to answer any questions you or the Subcommittee members have.